

*Annual Report*  
**FIRST NATIONAL STORES INC.**  
*year ending*

**BOARDS**  
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16101

April 2, 1949

# FIRST NATIONAL STORES INC.

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## *Officers*

ADRIAN F. O'KEEFE, <i>President</i>	RALPH F. BURKARD, <i>Treasurer</i>
JAMES C. DUANE . . . . .	<i>Vice-President</i>
JOHN L. MACNEIL . . . . .	<i>Vice-President</i>
JOHN E. ELWELL . . . . .	<i>Clerk</i>



## *Executive Committee*

RALPH F. BURKARD  
JOHN L. MACNEIL  
ADRIAN F. O'KEEFE



## *Directors*

CHARLES H. BURGER  
RALPH F. BURKARD  
JAMES C. DUANE

BYRON M. FLEMMING  
SAMUEL JOSELOFF  
DANIEL J. LYNE

JOHN L. MACNEIL  
JAMES J. O'HARE  
ADRIAN F. O'KEEFE

Somerville, Massachusetts, June 10, 1949.

TO THE STOCKHOLDERS OF  
FIRST NATIONAL STORES INC.:

The Annual Report of your Company for the fiscal year ending April 2, 1949 is presented herewith.

The figures given in this report are comparable with those of the prior year as there has been no change in the Company's established method of bookkeeping. The Balance Sheet and Statement of Operations and Surplus Account have been examined by independent accountants, Messrs. Price, Waterhouse & Co., and their comments thereon are included in this report.

Sales of \$354,444,614 show an increase of 12.20% over the prior year. Net income as shown in the accompanying comparative statement of operations amounted to \$7,905,880 and, after an appropriation of \$2,000,000 reserve for inventories in retail stores, our balance of income transferred to earned surplus was \$5,905,880 or \$7.21 per share. This compares with \$6.87 per share for the previous year after a \$2,400,000 reserve for inventories in retail stores.

The following is a condensed summary of operations for the fiscal year ending April 2, 1949, compared with operations for the fiscal year ending March 27, 1948.

	<i>For the Fiscal Year Ending</i>	
	<i>April 2, 1949</i>	<i>March 27, 1948</i>
	<i>(53 Weeks)</i>	<i>(52 Weeks)</i>
Retail stores sales . . . . .	\$354,444,614	\$315,915,554
Net profits after taxes, depreciation, appropriations and all charges and available for dividends . . . . .	\$5,905,880	\$5,629,705
Earnings per share of common stock (on shares outstanding at end of year) . . . . .	\$7.21	\$6.87
	<i>As of</i>	
	<i>April 2, 1949</i>	<i>March 27, 1948</i>
Net working capital (current assets less current liabilities) . . . . .	\$15,071,139	\$20,053,426
Fixed or property assets (less depreciation) . . . . .	\$22,533,549	\$13,385,472
Net Worth . . . . .	\$35,982,192	\$32,941,303
Earned Surplus . . . . .	\$29,245,913	\$26,205,024

On the following page are graphic charts and figures which show the results of our operations for the past twenty-three years.

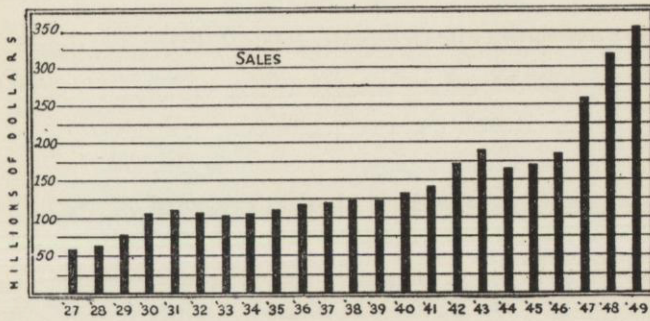
DEPRECIATION CHARGES AND MAINTENANCE CHARGES

	<i>Fiscal Years</i>		
	<i>1949</i>	<i>1948</i>	<i>1947</i>
Depreciation charges . . . . .	\$1,785,736	\$1,305,436	\$997,774
Maintenance repairs and renovation charges . . . . .	\$3,641,940	\$2,870,993	\$1,895,765

The above amounts were charged to earnings in their respective years to cover the depreciation and obsolescence, maintenance repairs and renovation of all of our depreciable assets, including buildings owned, store and plant fixtures, improvements, machinery, equipment, automobiles and trucks.

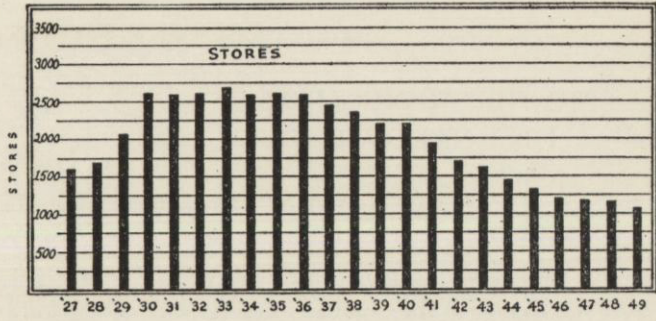
DIVIDENDS PAID

For the fiscal year ending April 2, 1949, four quarterly dividends of 75¢ a share and a special dividend of 50¢ a share, totalling \$3.50, were paid on the common stock outstanding.



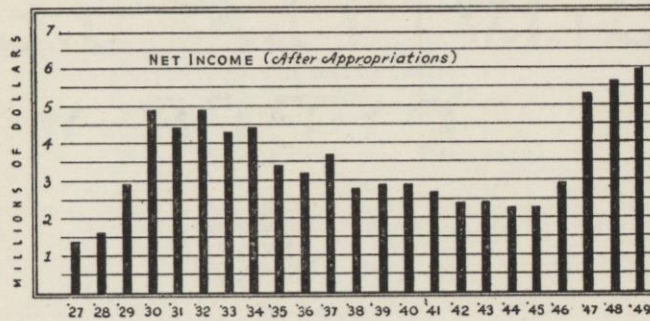
Retail Stores Sales—Fiscal Years

1927	\$59,038,304	1935	\$111,323,463	1943	\$187,839,592
1928	64,445,962	1936	119,575,417	1944	164,924,978
1929	75,884,639	1937	120,682,961	1945	170,236,678
1930	107,635,216	1938	124,294,617	1946	182,131,241
1931	108,196,686	1939	124,222,955	1947	256,506,910
1932	107,634,383	1940	131,041,157	1948	315,915,554
1933	100,892,947	1941	142,680,921	1949	354,444,614
1934	105,812,781	1942	174,378,932		



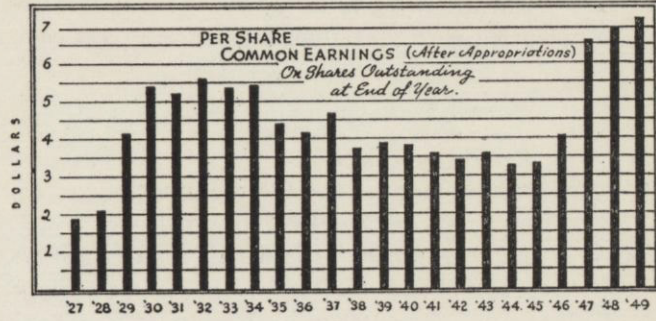
Stores—Fiscal Years

1927	1681	1935	2623	1943	1585
1928	1717	1936	2556	1944	1463
1929	2002	1937	2473	1945	1340
1930	2549	1938	2350	1946	1236
1931	2548	1939	2244	1947	1201
1932	2546	1940	2137	1948	1150
1933	2705	1941	1923	1949	1083
1934	2653	1942	1748		



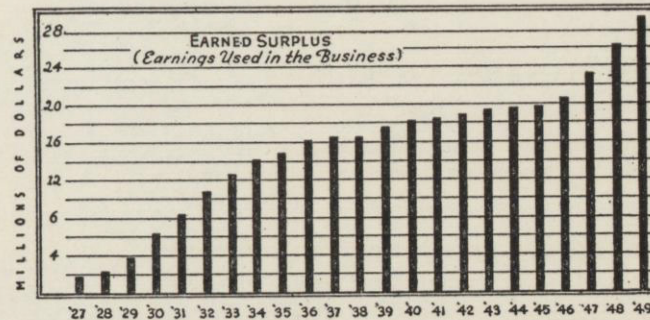
Net Income—Fiscal Years

1927	\$1,492,193	1935	\$3,433,504	1943	\$2,465,079
1928	1,593,358	1936	3,163,329	1944	2,235,104
1929	2,904,884	1937	3,647,001	1945	2,294,604
1930	4,773,446	1938	2,705,191	1946	2,885,555
1931	4,479,108	1939	2,774,366	1947	5,357,235
1932	4,825,611	1940	2,739,074	1948	5,629,705
1933	4,220,099	1941	2,508,719	1949	5,905,880
1934	4,394,830	1942	2,380,294		



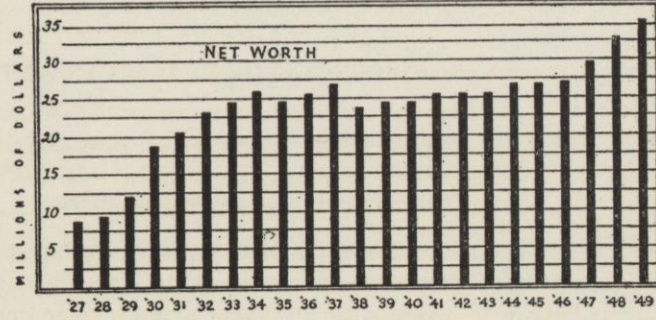
Per Share Common—Fiscal Years

1927	\$1.92	1935	\$3.89	1943	\$3.01
1928	2.09	1936	3.65	1944	2.73
1929	4.07	1937	4.24	1945	2.80
1930	5.39	1938	3.14	1946	3.52
1931	5.03	1939	3.38	1947	6.54
1932	5.52	1940	3.34	1948	6.87
1933	4.78	1941	3.06	1949	7.21
1934	4.97	1942	2.90		



Earned Surplus—Fiscal Years

1927	\$1,996,375	1935	\$15,121,448	1943	\$19,308,135
1928	2,238,303	1936	16,062,827	1944	19,496,819
1929	3,987,782	1937	16,670,118	1945	19,745,003
1930	6,369,726	1938	16,688,036	1946	20,334,138
1931	8,371,910	1939	17,423,131	1947	23,235,669
1932	10,816,321	1940	18,112,565	1948	26,205,024
1933	12,666,672	1941	18,572,964	1949	29,245,913
1934	14,213,494	1942	18,889,476		



Net Worth—Fiscal Years

1927	\$8,723,782	1935	\$24,820,470	1943	\$26,044,414
1928	8,965,710	1936	25,761,849	1944	26,233,098
1929	11,724,410	1937	26,369,140	1945	26,481,282
1930	18,347,148	1938	23,746,089	1946	27,070,417
1931	20,349,333	1939	24,216,168	1947	29,971,948
1932	22,793,743	1940	24,874,883	1948	32,941,303
1933	24,644,049	1941	25,293,286	1949	35,982,192
1934	26,190,916	1942	25,625,755		

## GROCERY STORES AND MARKETS

Your Company had in operation on . . . . .	<i>April 2, 1949</i>	<i>March 27, 1948</i>
Grocery Stores . . . . .	704	766
Markets or Combination Grocery, Fruit, Vegetable and Meat Stores . . . . .	379	384
	<hr style="width: 50%; margin: 0 auto;"/>	<hr style="width: 50%; margin: 0 auto;"/>
Total Grocery Stores and Markets . . . . .	1,083	1,150

On April 2, 1949 we were operating 67 fewer stores than on March 27, 1948. Of the 704 grocery stores, 259 are of the Self-Service type and of the 379 markets, 299 are Self-Service markets. We are continuing to develop stores of the modern Self-Service type in leased premises where available and where satisfactory rentals can be obtained—as well as in buildings which we construct and own.

## TAXES

Our total direct tax bill for the fiscal year ending April 2, 1949 amounted to \$7,706,262. This amounts to 57% of our profits before taxes for the year and equals \$9.41 for each share of our Common Stock.

A summary of our direct taxes follows:—

<i>Fiscal Year</i>	<i>Total Direct Taxes</i>	<i>% of Income (before taxes)</i>	<i>Per Share On Common</i>	<i>Per Store Operated</i>
1949	\$7,706,262	57%	\$9.41	\$7,116
1948	6,768,065	55%	8.27	5,885
1947	6,161,202	53%	7.53	5,130
1946	6,194,310	68%	7.56	5,011
1945	4,776,961	67%	5.83	3,564
1940	1,656,274	37%	2.02	753
1935	1,111,096	24%	1.36	420
1930	796,693	14%	.97	324

## COMMENTS

Sales increased \$38,529,060 over the previous fiscal year. Approximately \$18,000,000 of this increase represents higher retail food prices—\$6,600,000 represents the extra week's sales in the 1949 fiscal year and the balance of the increase amounting to approximately \$14,000,000 represents additional tonnage sales for the year on a fifty-two (52) week comparative basis.

As a result of the appropriation of \$2,000,000 from the earnings of the past year for Reserve for Inventories in Retail Stores, we are now carrying the retail stores inventories on our books at approximately the same conservative basis as our warehouse inventories which are valued on the last-in-first-out (LIFO) inventory method.

Our program of development is being carried on. The new warehouse at Portland, Maine, is now in operation. The new bakery at the Portland, Maine, warehouse location will be in operation in July of this year. The new addition to our East Hartford, Connecticut, warehouse is substantially completed. Of major plant projects there remains only the new East Providence, Rhode Island, warehouse to be constructed and we hope to complete that project in the next year or two.

During the fiscal year ending April 2, 1949 we opened sixteen (16) new stores of the Super Market Self-Service type. Nine (9) of these are leased stores and seven (7) we constructed and own. Six (6) of our smaller type Self-Service Markets were closed during the year. In each instance

one of the above mentioned new larger stores replaced these closings. We also opened under lease seventeen (17) of the smaller type Self-Service Grocery stores. Your company plans to open several more stores of the Self-Service Super Market type during the coming year.

As in the past two years, principally because of high construction costs, we are continuing this development at a conservative rate. It is our policy to lease these stores whenever satisfactory rentals are obtainable and to build and own when conditions warrant that course—and our resources permit of the investment.

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With deep regret and profound sorrow we record here that Mr. Arthur O'Keeffe, President of the Company since 1933, died on July 25, 1948. During his term as President, there developed, under his leadership, a capable organization, well equipped to carry on in the years to come.

In the death of Mr. O'Keeffe, we lost a leader who had given twenty-nine years of continuous service to the Company. Those of us who were associated with him believe that no man has ever performed his duties more ably or more unselfishly.

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#### STOCKHOLDERS

In March, 1949 we had 10,705 stockholders in the Company. Thus, each store we operate has an average of nearly ten (10) stockholder-owners.

The following table shows the number of our common shareholders at various intervals since 1926.

1949	1948	1944	1938	1932	1926
10,705	10,798	9,542	9,228	4,607	1,304

Again we welcome an opportunity to express publicly our gratitude and appreciation for the loyal and cooperative efforts of our employees during the past year.

With the fine spirit of our organization, combined with our resources and experience, we are confident that your Company is well prepared for continued progress in the economical and efficient distribution of foods. Chain food stores play a vital part in the economic life of our nation. The savings effected by our form of distribution benefit producers and give a greater purchasing power and consequent better standard of living to American consumers.

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#### ANNUAL MEETING—PROXIES

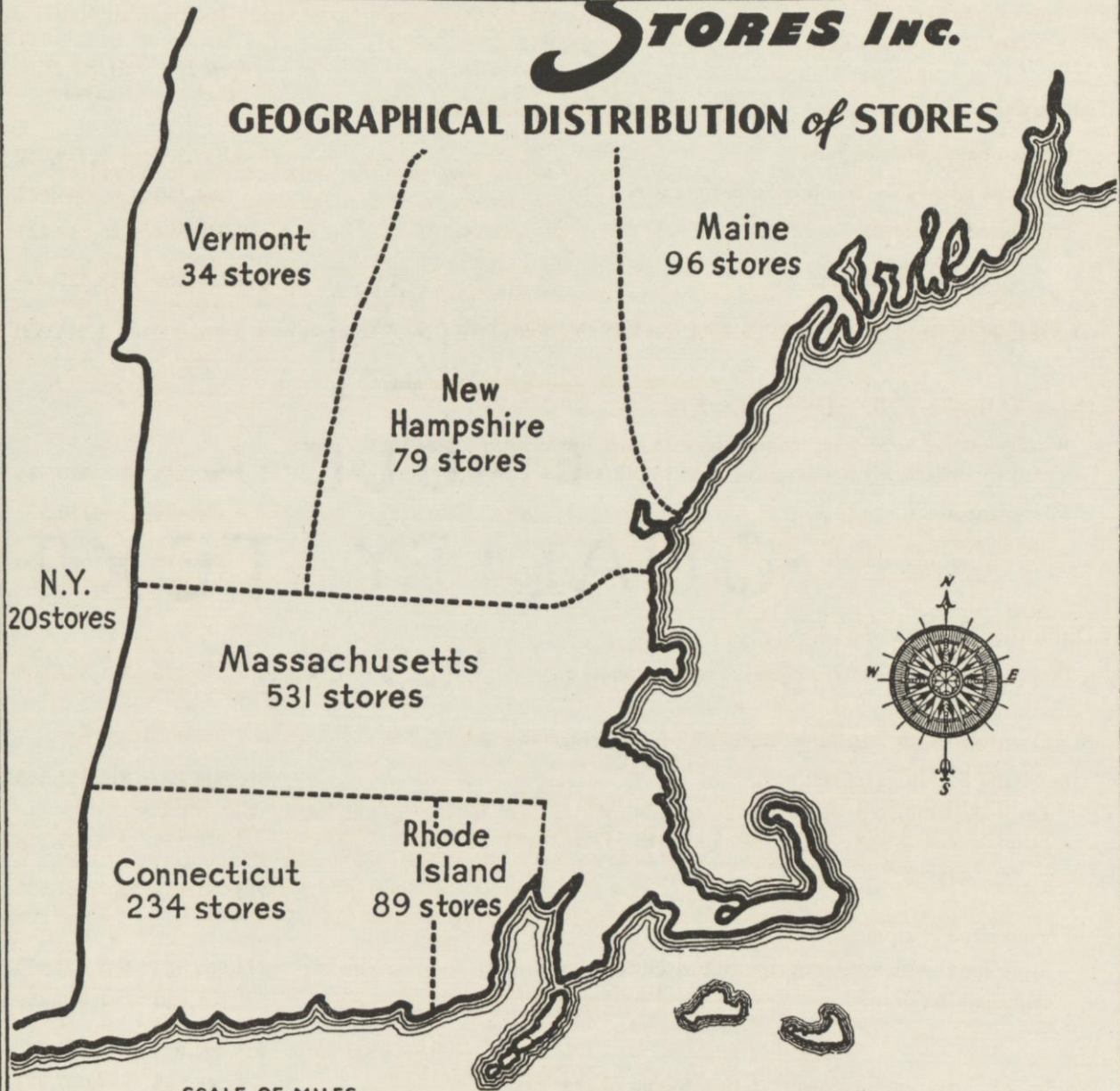
A notice of the annual meeting of stockholders, proxy statement and proxy accompany this report. Stockholders ARE REQUESTED TO SIGN THE MANAGEMENT'S AUTHORIZED PROXY AND MAIL PROMPTLY IN THE ENVELOPE PROVIDED. Your immediate attention to this important matter will be greatly appreciated and will save your Company considerable time and expense.

ADRIAN F. O'KEEFFE,  
*President.*

# FIRST NATIONAL

## STORES INC.

### GEOGRAPHICAL DISTRIBUTION of STORES



SCALE OF MILES  
0 50 100 150

**Total Number  
of Stores**  
as of April 2, 1949  
1083

FIRST NATIONAL STORES INC.

COMPARATIVE BALANCE SHEET

ASSETS		<i>April 2,</i> 1949	<i>March 27,</i> 1948
CURRENT ASSETS:			
Cash in banks and on hand . . . . .		\$ 9,839,364	\$ 8,329,050
Accounts receivable, less provision for losses . . . . .		584,250	568,627
Inventories (Note 1) . . . . .		22,740,654	26,630,227
Total current assets . . . . .		<u>\$33,164,268</u>	<u>\$35,527,904</u>
CLAIMS FOR REFUNDS OF FEDERAL TAXES ON INCOME—NET (Note 1)		<u>\$ 2,576,000</u>	<u>\$ 2,335,000</u>
INVESTMENTS AND ADVANCES, ETC.:			
Wholly-owned subsidiary companies—at cost less reserve of \$40,000 (represented by underlying net assets of \$838,152 in 1949 and \$844,649 in 1948) . . . . .		\$ 360,833	\$ 510,833
Miscellaneous . . . . .		76,495	170,597
Total investments, etc. . . . .		<u>\$ 437,328</u>	<u>\$ 681,430</u>
DEFERRED CHARGES:			
Prepaid insurance, deferred local taxes, supplies, etc. . . . .		<u>\$ 2,058,196</u>	<u>\$ 1,364,808</u>
FIXED ASSETS (at cost, after deducting fully-depreciated assets):			
Land and buildings owned . . . . .		\$16,808,176	\$10,951,343
Less—Accumulated depreciation to end of year (including accumulated obsolescence of \$700,786 in 1949 and \$418,747 in 1948) . . . . .		3,716,355	3,229,358
		<u>\$13,091,821</u>	<u>\$ 7,721,985</u>
Fixtures and equipment, etc.:			
Store fixtures, leased property improvements, machinery and equipment . . . . .		\$11,989,383	\$ 8,202,973
Automobiles . . . . .		1,701,230	1,468,289
		<u>\$13,690,613</u>	<u>\$ 9,671,262</u>
Less—Accumulated depreciation to end of year . . . . .		4,248,885	4,007,775
		<u>\$ 9,441,728</u>	<u>\$ 5,663,487</u>
Total fixed assets (net) . . . . .		<u>\$22,533,549</u>	<u>\$13,385,472</u>
GOODWILL . . . . .		\$ 1	\$ 1
		<u>\$60,769,342</u>	<u>\$53,294,615</u>



FIRST NATIONAL STORES INC.

COMPARATIVE BALANCE SHEET

LIABILITIES		<i>April 2,</i> 1949	<i>March 27,</i> 1948
<b>CURRENT LIABILITIES:</b>			
Accounts payable . . . . .		\$ 7,822,352	\$ 7,254,618
Owing to subsidiary companies . . . . .		276,456	208,801
Accrued local and state taxes and other expenses . . . . .		3,765,590	3,909,991
Employees' investment certificates . . . . .		177,370	186,360
Federal taxes on income (after deducting \$1,632,700 U. S. Treasury Tax Notes on hand in 1948) . . . . .		6,051,361	3,914,708
Total current liabilities . . . . .		\$18,093,129	\$15,474,478
<b>RESERVES:</b>			
For future price declines of inventories in retail stores, not valued on basis of last in, first out . . . . .		\$ 4,400,000	\$ 2,400,000
For future payments of past service premiums under retirement annuity plan, less estimated federal income tax savings attributable thereto . . . . .		1,465,849	1,675,425
For contingencies . . . . .		584,600	584,600
Miscellaneous . . . . .		243,572	218,809
Total reserves . . . . .		\$ 6,694,021	\$ 4,878,834
<b>CAPITAL STOCK AND SURPLUS:</b>			
Common stock—			
Authorized—1,000,000 shares without par value			
Issued—827,634 shares . . . . .		\$ 6,977,422	\$ 6,977,422
Earned surplus (earnings used in the business) . . . . .		29,245,913	26,205,024
Together . . . . .		\$36,223,335	\$33,182,446
Deduct:			
Common stock held in treasury—9,057 shares, at reduced amount carried on books . . . . .		241,143	241,143
Total capital stock and surplus, less treasury stock . . . . .		\$35,982,192	\$32,941,303
		\$60,769,342	\$53,294,615

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:

We have examined the balance sheet of First National Stores Inc. as of April 2, 1949 and the related statements of operations and earned surplus for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and related statements of operations and earned surplus, together with the notes thereto, present fairly the financial position of First National Stores Inc. at April 2, 1949, and the results of its operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Boston, Massachusetts  
May 27, 1949.

PRICE, WATERHOUSE & CO.

# FIRST NATIONAL STORES INC.

## COMPARATIVE STATEMENT OF OPERATIONS

	<i>Fiscal Year Ending</i>	
	<i>April 2, 1949</i> <i>(53 Weeks)</i>	<i>March 27, 1948</i> <i>(52 Weeks)</i>
<b>Sales and revenues:</b>		
Retail store sales . . . . .	\$354,444,614	\$315,915,554
Interest and dividends received:		
From subsidiaries (Note 2) . . . . .	15,000	13,000
From others . . . . .	9,794	45,429
	<u>\$354,469,408</u>	<u>\$315,973,983</u>
<b>Costs and expenses:</b>		
Cost of sales, expenses, etc. (exclusive of depreciation and obsolescence)— (Note 1) . . . . .	\$338,876,797	\$301,308,021
Provision for depreciation and obsolescence of fixed assets . . . . .	1,785,736	1,305,436
Interest paid . . . . .	55,102	38,323
Loss or (gain) on disposition of fixed assets (net) . . . . .	5,893	(77,502)
Provision for federal income taxes . . . . .	5,570,000	5,090,000
	<u>\$346,293,528</u>	<u>\$307,664,278</u>
	\$ 8,175,880	\$ 8,309,705
<b>Excess of approximate cost of replacement of warehouse inventories valued on last in, first out basis, involuntarily liquidated in prior years, over the original inventory cost thereof, less estimated refunds of prior years' federal taxes resulting therefrom (Note 1) . . . . .</b>		
	<u>270,000</u>	<u>280,000</u>
Net income for the year . . . . .	\$ 7,905,880	\$ 8,029,705
Less—Appropriation for future price declines of inventories in retail stores, not valued on basis of last in, first out . . . . .	<u>2,000,000</u>	<u>2,400,000</u>
Balance transferred to earned surplus . . . . .	<u>\$ 5,905,880</u>	<u>\$ 5,629,705</u>

### STATEMENT OF EARNED SURPLUS (EARNINGS USED IN THE BUSINESS) FOR THE FISCAL YEAR ENDING APRIL 2, 1949

Earned surplus (earnings used in the business) at March 27, 1948 . . . . .	\$26,205,024
Balance transferred from statement of operations above . . . . .	5,905,880
	<u>\$32,110,904</u>
Deduct—Dividends paid on common stock . . . . .	2,864,991
Earned surplus (earnings used in the business) at April 2, 1949 . . . . .	<u>\$29,245,913</u>

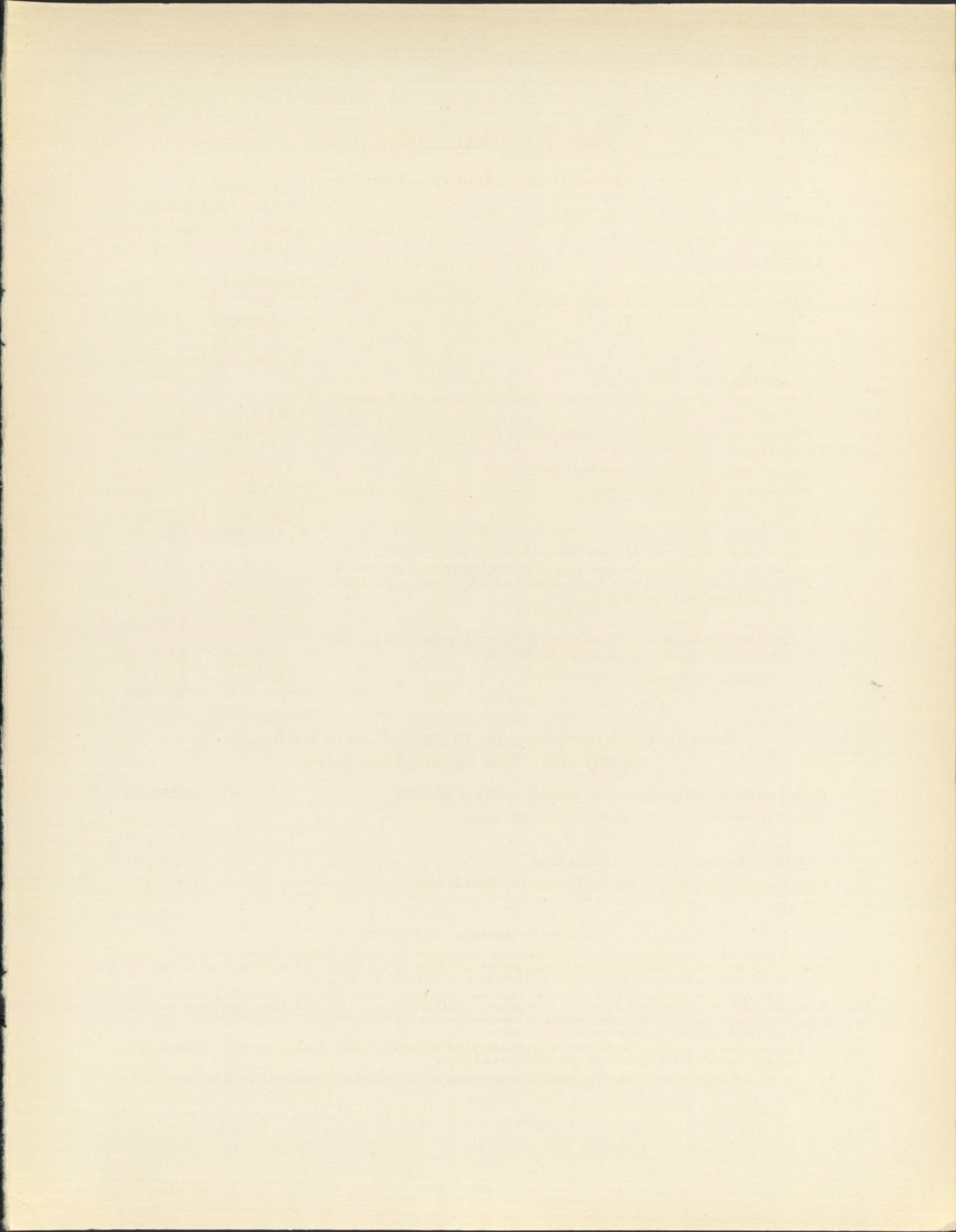
#### NOTES TO FINANCIAL STATEMENTS

(1) Merchandise in retail stores was valued at approximate average cost (on the basis of first in, first out) which did not exceed market; other merchandise, materials and supplies (aggregating \$12,004,830 at April 2, 1949 and \$13,349,316 at March 27, 1948) were valued at cost on the basis of last in, first out, or at market where lower in the case of individual items.

Partial replacement has been made of inventories which were involuntarily liquidated in prior years and, as permitted by the Internal Revenue Code, the company has elected to value the items replaced at their original inventory prices. The excess cost of replacing a portion of the inventories which were involuntarily liquidated, less estimated refunds of federal taxes resulting therefrom (\$516,000 in 1949 and \$860,000 in 1948), has been charged to profit and loss.

The use of the last in, first out method and the application of the involuntary liquidation and replacement provisions of the tax law are subject to review and acceptance by the Bureau of Internal Revenue.

(2) The net earnings of the subsidiary companies (all wholly owned and not consolidated) aggregated \$158,503 in 1949 and \$60,707 in 1948.



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